

Revenue George Ashe Minister

T. M. Russell **Deputy Minister** 

### **Retail Sales** Tax Branch

# Information Bulletin

Retail Sales Tax Act

20N

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Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.

This bulletin outlines some recent changes to the retail sales tax Regulations and provides clarification in other areas of the legislation.

To be sure of the tax application in a specific case, refer to the Retail Sales Tax Act and Regulations or contact your local District Office for further information.

### INFORMATION HIGHLIGHTS

- ORTHOPAEDIC SHOES EXEMPTION
- INTEREST RATE INCREASED TO 15%
- ALTERATIONS TO CLOTHING OF SPECIAL INTEREST TO TAILORS AND **CLOTHING STORES**
- RENTAL OF GOODS AND CHARGES FOR TAXABLE SERVICES **APPLICATIONS**
- TAX GUIDES ASSISTANCE FOR SPECIFIC TAX MATTERS
- SALES MADE TO OUT-OF-PROVINCE RESIDENTS
- TIME LIMIT FOR FILING NOTICE OF OBJECTION

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ORTHOPAEDIC SHOES - EXEMPTION

The exemption from retail sales tax on orthopaedic appliances includes corrective footwear purchased under the prescription of a physician.

This exemption includes orthopaedic shoes custom made for an individual and those shoes purchased "off the shelf" and specially adapted by the addition of wedges, arches, etc. to correct skeletal deformities. The vendor should, however, keep a copy of the physician's prescription on file to support the exempt sale.

Footwear sold at a price of \$30 or less continues to be unconditionally exempt from tax.



INTEREST RATE - INCREASED TO 15%

The interest rate allowed on overpayments and certain refunds of retail sales tax increased to 15 percent per annum February 1, 1982

At the same time, the interest rate on unpaid sales tax owed to the Ministry of Revenue also increased to 15 percent per annum.

This rate also applies to overpayments, refunds and unpaid amounts of the other taxes administered by the Ministry of Revenue.



ALTERATIONS TO CLOTHING - OF SPECIAL INTEREST TO TAILORS AND CLOTHING STORES

Commencing December 1, 1981, no tax applies on any charge for alterations carried out on new or used clothing, provided such charge is clearly identified on the billing. Alterations as opposed to repairs to clothing are considered to be the provision of a service. The person making the alteration pays tax on all materials used in performing the service. A vendor's permit is not required if alterations are the only business carried out.

The total charge, including labour, for making an article of clothing (except children's clothing) from materials, whether supplied by customers or not, remains subject to tax.



RENTAL OF GOODS AND CHARGES FOR TAXABLE SERVICES - TAX APPLICATIONS

For retail sales tax purposes, a rental of an item is considered to be a sale. In other words, if a person is required to pay tax on an item, such as a television or an automobile, tax would also apply if he prefers to rent the item.

When an item is purchased, tax is payable on the full purchase price.

When an item is rented, tax is payable on each rental payment made and on any payment made in exercising an option to purchase the item.

During the term of a rental agreement, there may be a change in the legislation resulting in an increase or a decrease in the tax rate. When this occurs, the following guidelines should be followed in determining which rental payment is subject to tax at the new rate.

- For a rental payment due on or after the effective date of the change, the new rate will apply.
- Conversely, the old rate is applicable on a rental payment due before the effective date of the change.

In other words, the proper tax rate to be used is determined by the payment due date, regardless of when the payment is actually made.

The same guideline can be applied to a rented item originally subject to tax but becomes exempt, or originally exempt but becomes taxable, during the term of a rental agreement. For example, a leased automobile is converted to operate on propane gas exclusively, for which an exemption is available. Applying the guideline, the rental payment due prior to the date of conversion is subject to tax whereas the rental payment due on or after that date is exempt.

Certain taxable telecommunication services, such as telephone or cable television, require regular payments, for example monthly, bi-monthly or quarterly. The same guideline can also be applied where there is a change in the tax rate or the taxability of the service. The payment due date again will determine when the new tax rate will apply.



# TAX GUIDES – ASSISTANCE FOR SPECIFIC TAX MATTERS

The Retail Sales Tax Branch has published a series of Sales Tax Guides as a service to assist vendors and tax-payers on retail sales tax matters. These guides serve as a quick reference to determine:

- whether or not an item is taxable
- who can obtain certain goods exempt
- proper procedures on sales tax matters.

Two new guides have just been added to the series:

- No. 23 Licensed Motor Vehicles Sold Privately
- No. 24 Private Sales and Imported Goods

These two guides explain how and where to pay tax on items purchased at private sales or imported from another province or country for use in Ontario.

We will continue to add new guides and update earlier issues as necessary.

To obtain any of the guides, please contact any of our Retail Sales Tax District Offices listed at the end of this bulletin. For your information, the following guides are currently available:

#### Guide No. Title and Area of Tax Application

- 1 General Food Stores Part One (exempt food products)
- 2 General Food Stores Part Two (taxable food products)
- 3 Soft Drinks, Candy and Confections (exempt and taxable)
- 4 Vendors of Liquor, Beer and Wine
- 5 Children's Clothing (exempt and taxable)
- 6 Prepared Meals (for restauranteurs and caterers)
- 7 Price Quotations in Advertisements
- 8 Rebates of Tax on Goods Removed from Ontario
- 9 Sales Single Event (fairs, exhibitions, bazaars, etc.)
- 10 Health Foods (exempt and taxable products)
- 11 Flowers, Trees, Shrubs and Plants (for flower shops)
- 12 Items for Chronic Invalids (exemption with or without prescription)
- 13 Carpet and Broadloom
- 14 Wood Burning Stoves and Furnaces
- 15 Purchases by Indians (conditions for exemption)
- 17 Pets and Livestock
- 18 Admissions (to places of entertainment)
- 21 Personal Hygiene and Household Cleaning Items (exempt and taxable items)
- 22 Delivery, Handling and Mailing Charges
- 23 Licensed Motor Vehicles Sold Privately
- 24 Private Sales and Imported Goods
- 25 Motor Vehicle Retail Sales Tax Rebate For The Physically Handicapped



### SALES MADE TO OUT-OF-PROVINCE RESIDENTS

Many visitors to Ontario shop while here and take goods purchased with them when returning to their home province,

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state or country. If taking delivery in Ontario, visitors must pay tax to the vendor on the taxable goods purchased like any other purchaser. This is necessary since the vendor doesn't know where the goods sold will be used or consumed after purchase.

A purchaser may apply for a refund of the tax paid on goods removed from the province, if the purchaser:

- removes them from Ontario for permanent use outside Ontario within 30 days from the date of purchase;
- applies for the refund within three years after payment of the tax; and
- provides satisfactory evidence of their removal from Ontario. This evidence may include:
  - 1. registration in another province, state or country for items such as automobiles, boats and airplanes,
  - 2. receipt for sales tax paid in the purchaser's home province, state or country,
  - 3. customs documents.

Refund application forms are available at any of our Retail Sales Tax District Offices located throughout Ontario.

It is not necessary to charge and collect tax on goods that a vendor ships or delivers outside Ontario. The vendor must retain copies of shipping documents or delivery receipts (e.g. bills of lading, delivery or shipping receipts) to support the tax exempt sale.

A non-resident may purchase a vehicle and take delivery of it in Ontario exempt from tax, if:

- the vehicle is not licensed in Ontario, and
- a single trip permit or an out-of-province registration is obtained by the purchaser and a single trip permit or licence number is shown on vendor's sales documents.

Single trip permits may be obtained at any Ontario Motor Vehicle Licensing Office.



## TIME LIMIT FOR FILING NOTICE OF OBJECTION

We realize that frequently a taxpayer is going to feel rather strongly about an assessment which has been given him. If you are assessed and feel you have reasonable cause to argue the amount, or the reason for the assessment or any part of it, we remind you there are facilities for lodging an official "Notice of Objection" provided you do so within 90 days of the mailing date of the assessment notice.

When a taxpayer applies for a refund of tax overpaid but the claim is partially or fully disallowed, he is issued a Statement of Disallowance. Similarly, the taxpayer has 90 days to file a Notice of Objection from the date of mailing of the statement.

In either case a taxpayer who fails to file a Notice of Objection within the 90 day limit has no further recourse under the law.

If a Notice of Objection is filed within the time limit, the assessment or statement of disallowance will be considered by the Tax Appeals Branch.

If you disagree with the decision of the Tax Appeals Branch you may appeal to the Supreme Court within 90 days of the mailing of the decision to you.

### FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA, AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108 Zenith 71820	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587	TORONTO M4P 1H6	2300 Yonge St. 10th Floor 487-7161
HAMILTON	119 King Street West		Zenith 71830		Zenith 71800
L8P 4Z9	P.O. Box 2112	OTTAWA	1355 Bank Street	WELLAND	76 Division Street
	521-7504	K1H 8K7	523-9760	L3B 3Z7	732-1318
	Zenith 71440		Zenith 71400		(in St. Catharines and
KITCHENER	449 Belmont Ave. W.	SUDBURY	Ontario Gov't. Building		Niagara Falls, call
N2M 1N2	576-8400	P3E 5M7	199 Larch St.		688-1360 or 688-1368
	Zenith 71020		675-4351		Zenith 71410
LONDON	310 Wellington Rd.		Zenith 71850	WINDSOR	250 Windsor Ave.
N6C 4P4	433-3901	THUNDER BAY	435 James Street South	N9A 6V9	252-4404
	Zenith 62350	P7C 5G6	P.O. Box 5000		Zenith 71450
NORTH BAY	1500 Fisher Street		Ontario Government Bldg.		
P1B 2H3	Northgate Plaza		475-1681		
	474-4900		Zenith 72310		